

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2381 - SB 2344

February 27, 2022

SUMMARY OF BILL: Beginning January 1, 2023, prohibits a person from transporting waste tires in this state unless such person holds a waste tire hauler permit from the Department of Environment and Conservation (TDEC), or for an interim period, as defined by the Department, is in the process of applying for such permit.

Requires TDEC to implement a new permitting program for waste tire haulers. TDEC will be required to promulgate rules and conduct inspections and investigation. TDEC will be required to keep an updated registry on its website of all permitted waste tire haulers.

Creates a Class C misdemeanor offense for a person to hire waste tires in this state without a waste tire hauler permit, unless exempted to do so through TDEC's Tire Environment Act Program (TEAP). Authorizes the Commissioner of TDEC to bring suit for the Department for a violation of the provisions of this act to prevent the illegal transport of waste tires in this state.

This legislation establishes that used tires are subject to the pre-disposal fee of \$1.35 per tire sold at retail.

Requires any person selling used tires in this state to register their place of business with TDEC as part of TEAP.

FISCAL IMPACT:

**Increase State Revenue - \$385,100/FY22-23 and Subsequent Years/
Solid Waste Management Fund**

**Increase State Expenditures - \$355,800/FY22-23/
Solid Waste Management Fund
\$343,300/FY23-24 and Subsequent Years/
Solid Waste Management Fund**

Increase Local Revenue - \$1,540,000/FY22-23 and Subsequent Years

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Assumptions:

Revenue

- South Carolina currently has a permitting system for waste tire haulers, administered by the South Carolina Department of Health and Environmental Control.
- Based on such Department's website, as of April 12, 2021, there were 36 permitted waste tire haulers in South Carolina.
- Based on the 2020 U.S. Census, South Carolina had a population of 5,773,714 and Tennessee had a population of 6,910,840.
- Tennessee is approximately 19.7 percent more populous than South Carolina $[(6,910,840 - 5,773,714) / 5,773,714]$.
- It is estimated that Tennessee would permit approximately 43 waste tire haulers statewide (36×1.197) .
- This legislation does not specifically authorize TDEC to charge waste tire haulers a fee for application or permit; therefore, it is assumed no fee is charged to waste tire haulers during application and permit issuance.
- This legislation authorizes any person selling used tires in this state to register their place of business with TDEC's TEAP; however, it does not explicitly authorize TDEC to charge a fee to any such business for such registration.
- Pursuant to Tenn. Code Ann. § 67-4-1603(a), a \$1.35 fee per tire is imposed on each person making retail sales of tires.
- Such retailers are allowed a \$0.10 reduction of such fee for compensation for the accounting and remittance of the fee.
- The Department of Revenue (DOR) receives approximately \$1.25 $(\$1.35 - \$0.10)$ of such fee and remits \$1.00 to the county in which the tire was sold, to be used for the beneficial end use of tires, pursuant to Tenn. Code Ann. § 68-211-867.
- Retailers retain 7.41 percent $(\$0.10 / \$1.35)$ of this fee.
- The DOR keeps 18.52 percent $(\$0.25 / \$1.35)$ of this fee. The DOR allocates this fee revenue to the Solid Waste Management Fund.
- Local governments receive 74.07 $(\$1.00 / \$1.35)$ of the fee.
- In FY20-21 new tire fees collected were approximately \$8,316,415.
- It is assumed that used tires are removed when new tires are purchased and that used tires have enough tread to be resold 25 percent of the time.
- It is therefore estimated that the recurring increase in fee revenue would be approximately \$2,079,104 $(\$8,316,415 \times 25\%)$, beginning in FY22-23.
- Retailers will retain \$154,062 of such fee $(\$2,079,104 \times 7.41\%)$.
- DOR will receive and allocate \$385,050 in state revenue to the Solid Waste Management Fund $(\$2,079,104 \times 18.52\%)$
- Local governments will receive \$1,539,992 $(\$2,079,104 \times 74.07\%)$.

Expenditures

- Based on information provided by TDEC, the Department will need five additional positions to implement this new program – 1 administrative assistant-2, 3 inspectors, and one program director.

- There will be a recurring increase in state expenditures of \$343,285 {[((\$41,148 salary + \$13,761 benefits + \$200 supplies) x 1 administrative assistant-2 position] + [(\$50,000 salary + \$15,231 benefits + \$200 supplies) x 3 Inspector positions] + [(\$72,684 salary + \$18,999 benefits + \$200 supplies) x 1 Program Manager position]} in FY22-23 and subsequent years.
- There will be a one-time increase in state expenditures associated with such positions of \$12,500 (\$5,000 computers + \$7,500 network/communications) in FY22-23.
- A total increase in state expenditures in FY22-23 of \$355,785 (\$343,285 + \$12,500).
- A recurring increase in state expenditures, beginning in FY23-24, of \$343,285.

Other

- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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